

Finance Department Guidelines

The Finance Department is responsible for keeping the business's financial records and looking after the business's funds. These records will help the company members identify their company's strengths and weaknesses. The Vice-President's financial reports at the Board and management meetings will guide the members in making decisions that will affect the business's future.

Some of the specific duties of the Vice-President of Finance are outlined below.

ASSIST WITH THE BUSINESS PLAN

The Vice-President of Finance has to prepare information for the Business Plan and is responsible for the financial portion of the plan. This includes the projected financial statements and confirmation of the revisions to the break-even analysis and cash flow projections through discussion with the other departments as they develop their plans.

MAINTAIN CASH CONTROL

This is one of the business's most important and most useful records. It allows you to see at a glance company income and expenses. As a result, it is important that you enter all financial transactions in the *Cash Control Record*. Regularly check the accuracy of the *Cash Control Record* and reconcile the cash balance with the company chequebook.

RESPONSIBILITY FOR ALL COMPANY FUNDS

The Vice-President of Finance is responsible for the business's funds. This involves writing cheques, recording deposits, maintaining an accurate and up-to-date cheque register, receiving cash from sales, paying all bills, etc. according to established procedures.

Keep the company money and financial records safe. Financial records should always be kept in a safe place between company meetings. Your Consultant will advise you on the preferred approach – whether you will be using a bank account or a lock box. With a bank account you need to fill in the appropriate Bank Account Signature cards and obtain cheques.

Make sure that bills are paid on time. This includes routine payments to vendors, payroll cheques to company members, and provincial sales tax, if applicable. Your local Junior Achievement office will explain how to make sales tax payments.

MAKE FINANCIAL REPORTS

The Vice-President of Finance will have to report on the business's financial condition at the Board of Directors, management team and other company meetings. The Vice-President of Finance is also responsible for making sure all the business's members understand the financial condition of the business, and for providing information for the Final Report.

RECORD KEEPING RESPONSIBILITIES

The business's Vice-Presidents are responsible for the accuracy of the records relating to their departments. They update their records each week by completing the records provided by Junior Achievement. The Vice-President of Finance and/or the Vice-President of Human Resources may wish to review optional electronic versions of record keeping available on the JA National Web site under the PROGRAMS page *for Company Program – A Student Venture*.

You will have to rely on information from the Marketing and Production Departments to update the financial records of your business, for example the Human Resources Department will supply you with the information for the payroll.

You should monitor your accounts payable very closely to ensure payment is made at the appropriate time. The simplest approach is to operate on a cash basis, and pay immediately.

CORRECTING ERRORS

Accountants do not use erasers or change entries. When they make a mistake, they record a new entry that will cancel the error. You should follow this standard accounting practice with your JA Company.

THE COMPANY CHEQUE BOOK

The Finance Department is responsible for writing all company cheques and keeping the cheque register balanced and up to date.

Follow these guidelines for writing cheques and maintaining the register:

- Sign the cheque after preparing it. (The President has the authority to sign in your absence.)
- All cheques must be countersigned by a Consultant.
- The cheque stubs or register must show the date, name of the payee, nature of the item, and the amount.
- All deposits must be listed on the cheque stubs or register. File copies of all deposit slips.
- Record bank service charges on cheque stubs or register and the *Cash Control Record*.
- Reconcile your cheque book balance with your monthly bank statement.

BANK RECONCILIATIONS

Each month the bank will send you a statement along with the cheques it has processed during the month. Reconcile the Statement Balance to your current Cash Balance on the *Cash Control Record*. Technically, the cash balance on the *Cash Control Record* and in your chequebook should be the same as the Bank Statement. However, it is not unusual for them to differ.

Very often you will have written cheques that were not processed by the bank before the statement date. Similarly, you may have made deposits or written cheques after the statement date. In this case, you must reconcile the two records. Basically, this involves subtracting cheques not processed from the bank balance and adding "deposits not processed" to the bank balance.

Instructions and forms for reconciling your chequebook should be included as part of your bank statement. If the two do not reconcile, make the following audits:

- Make sure you have entered all bank service charges in the *Cash Control Record*.
- Verify addition of the *Cash Control Record*.
- Compare amounts on cancelled cheques and deposit slips with the amounts entered in the *Cash Control Record*.

MANAGING CASH FLOW

An essential ingredient for success in your business is good cash flow. The Vice-President of Finance has the responsibility for ensuring that the business has sufficient cash resources to meet its financial obligations on a timely basis.

Poor cash flow practices, such as late payments to creditors, could result in the business losing credit privileges and having to purchase raw materials on a “cash only” basis.

Late payment of the payroll to company members could cause morale and productivity within the membership to drop, thus affecting the profitability of the business.

To fulfill the responsibility of managing the cash flow, ask the Production Department to monitor inventory levels and to purchase supplies, where possible, on an as-needed basis.

Ask the Marketing Department to monitor unsold inventory of products in the hands of salespeople to ensure that every opportunity to maximize sales income is achieved.

Review the current cash position and accounts payable with the members of the management team on a weekly basis. Develop a strategy with the management team to meet the current and future financial obligations.

If you can't pay an invoice on time then inform the supplier. (This action will often ensure that credit privileges are not suspended for the business). By using good procedures in dealing with suppliers, your business will uphold the image of Junior Achievement in the community.

HANDLING CASH

The Vice-President of Finance will handle cash on numerous occasions. You are responsible for the cash until it is deposited into the company bank account or lock box.

Junior Achievement policy does not permit JA Companies to use cash from product or share sales for the purchase of materials or supplies. In all instances, the cash received from sales must be deposited to the bank. Cheques should be issued to reimburse members or Consultants for purchases.

LIQUIDATION AND FINAL REPORT RESPONSIBILITIES

The Finance Department has a number of reports to produce in order to fulfil the business's reporting obligations to the shareholders. It is important that you familiarize yourself with the reports as soon as possible.

The liquidation process will go much smoother if the Vice-President of Finance follows three simple Guidelines: (1) keep a close watch on your department's operating responsibilities, (2) keeping your record system up-to-date, and (3) provide accurate reports as needed.

DISTRIBUTION OF ASSETS UPON LIQUIDATION

The Vice-President of Finance plays an important role in the liquidation process. The Vice-President of Finance presents a *Recommendation for the Distribution of Assets* to the Board if the business has made a profit. If the business did not make a profit or achieve the break-even point, the Vice-President will have to fill in a *Resolution of Indebtedness* (available from the Consultant/Teacher).

Priority Order at Liquidation

Your business's order of priority for year-end distribution of assets is as follows:

1. Provincial sales tax (if applicable)
2. Vendors
3. JA Office (rent, liquidation, costs, etc.)
4. Commissions
5. Wages and salaries
6. Profits Tax at 50%, if the business is profitable

7. Dividend to investors
8. Redemption of the shareholder's original investments as its net liquidation value.